

DON'T LET THE MBL CAP HOLD YOU BACK!



How to get around the limits so business lending at your credit union can thrive.

WHAT'S THE MBL CAP TODAY?

Per the National Credit Union Association (NCUA) Regulations in Part 723, Member Business Lending (MBL) is currently limited by the lesser of two constraints:

1.75 times the Credit Union's Net Worth

12.25% of the Credit Union's Total Assets

Once you hit that cap, you must cease business lending

MBL IS GOOD FOR THE BOTTOM LINE

Credit unions engaged in MBL tend to be quite healthy. At the end of 2014:

98%

of CUs with business loans were well-capitalized

81%

of CUs with business loans had an overall CAMEL rating of 1 or 2*

*versus 69% of CUs without business loans.

A BRIEF HISTORY OF THE CAP

1998

MBL cap was first imposed by Congress in the Credit Union Membership Access Act of 1998

2010

First bill was sponsored in Congress to increase the MBL cap from 12.25% to 27.5%

2016

Most recent attempt to raise the cap fails to pass in Congress

HOW MANY CREDIT UNIONS ARE HITTING THE CAP?

5,954

Number of federally insured credit unions

2086

Number of credit unions engaged in MBL

106

Number of credit unions close to the cap



While only **35%** of credit unions currently engage in MBL

15%
2016

That number grew 15% last year and is expected to continue growing at a healthy rate.

DODGING THE CAP

There are easy three ways to get around the limits imposed by the MBL cap:

LOW INCOME CREDIT UNION DESIGNATION

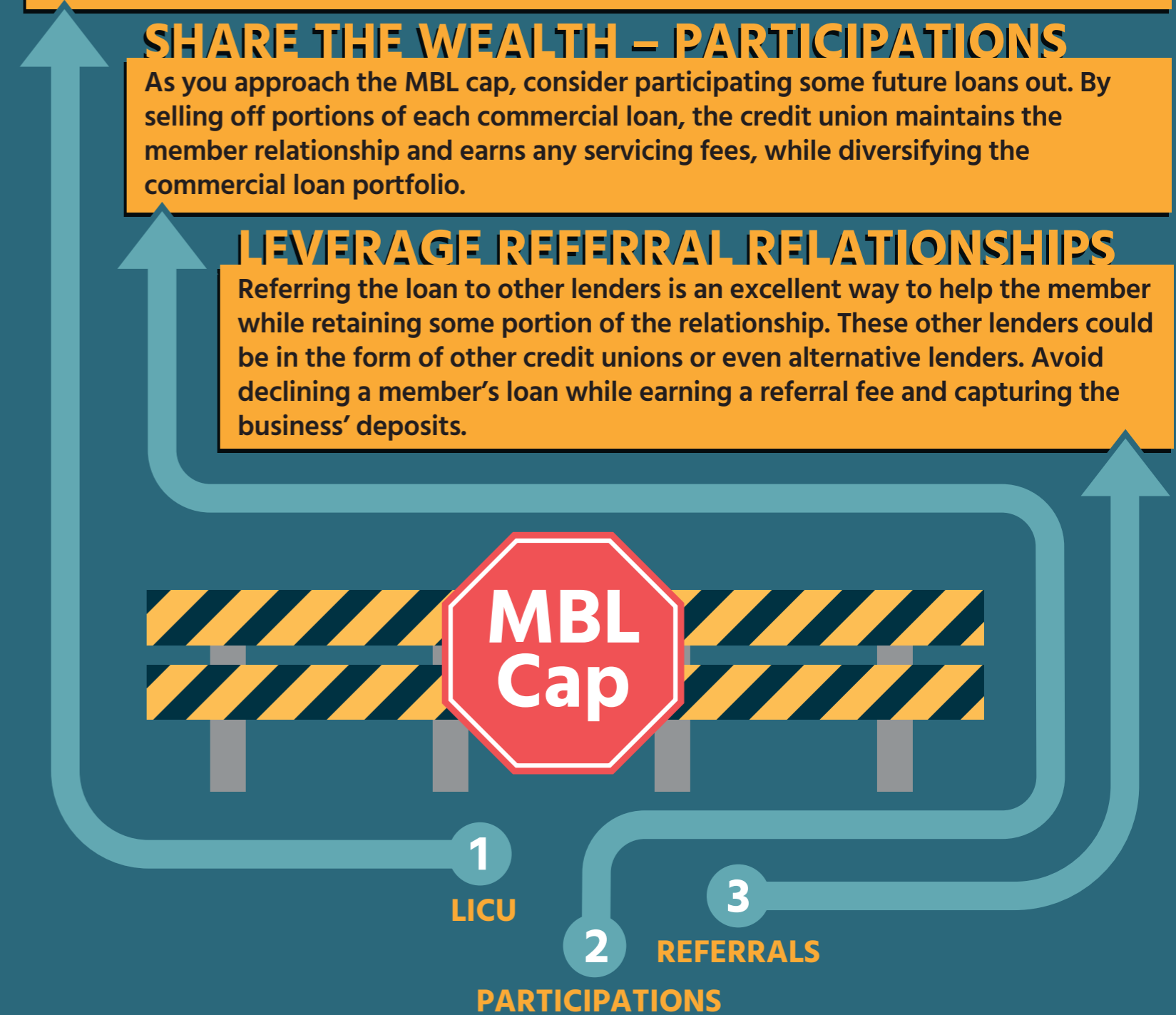
Under NCUA regulations, any credit union that qualifies for the low income credit union (LICU) designation effectively has no MBL cap. Qualifying for this designation is done during the regularly scheduled NCUA exam where the credit union's field of membership is compared to census track data to determine if a majority (50+%) of members are within low-income guidelines. If a credit union qualifies, the MBL cap is all but eliminated.

SHARE THE WEALTH – PARTICIPATIONS

As you approach the MBL cap, consider participating some future loans out. By selling off portions of each commercial loan, the credit union maintains the member relationship and earns any servicing fees, while diversifying the commercial loan portfolio.

LEVERAGE REFERRAL RELATIONSHIPS

Referring the loan to other lenders is an excellent way to help the member while retaining some portion of the relationship. These other lenders could be in the form of other credit unions or even alternative lenders. Avoid declining a member's loan while earning a referral fee and capturing the business' deposits.



COMMERCIAL LENDING TOOLS FROM PROFITSTARS®

Revolutionize the way you find, grow, and manage commercial loans! The Commercial Lending Center Suite empowers your credit union to customize and improve processes, move beyond paper-based lending, and meet the demands of today's business borrowers.



REQUEST A DEMO